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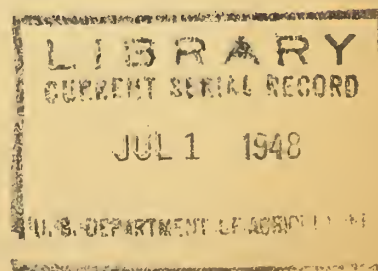
THE MARKET FOR UNITED STATES COTTON IN WESTERN EUROPE IN 1948

A REPORT BRINGING TO DATE INFORMATION
CONCERNING POSTWAR OPERATIONS OF THE
COTTON TEXTILE INDUSTRY IN WESTERN EUROPE,
PARTICULARLY AS RELATED TO THE EXPORT
MARKET FOR UNITED STATES COTTON.

By

P. K. NORRIS

Agricultural Economist



FOREWORD

This circular brings to date the information concerning the situation in certain western European countries as it relates to the use of United States cotton by European mills. The circular is based upon personal observations of the author, P. K. Norris, in the 8 countries during the period November 1947 through early January 1948.

In line with provisions of the Research and Marketing Act, and at the request of industry, specialists are studying, first hand, the possibilities for broadening the foreign market for other agricultural commodities as well as cotton. The results of these studies will be released from time to time in an effort to keep the producers and members of the trade informed about world conditions, including the trend of production in competing areas, which affect the foreign market outlook for agricultural products.

Joseph A. Becker
Joseph A. Becker, Chief
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THE MARKET FOR UNITED STATES COTTON IN WESTERN EUROPE IN 1948

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For many years, the United Kingdom, France, Italy, Switzerland, Belgium, the Netherlands, Austria, and Germany provided the outlet for over one-half of the cotton exported from the United States. During the 20 years between World Wars I and II, domestic exports to these 8 countries averaged 4.5 million bales, 66 percent of total exports of 6.7 million bales.

United States exports to the 8 European countries were highest during the first 10 years which followed World War I (1919-28), averaging 5.3 million bales, or 73 percent of total exports, and declined to an average of 3.7 million bales, 58 percent of the total, during the 10 years, 1929-38 (table 1). The decline was continuous over the 20-year period, and, during the last 5 years (1934-38), dropped to an average of 2.8 million bales, 55 percent of total exports of 5.0 million. During the years between World Wars I and II, cotton from Brazil, India, Argentina, and the African territories found an increasing market in Europe. Spinners, who had traditionally used American cotton, turned to other cotton and in a number of cases successfully substituted it for American. In 1938-39, exports from the United States reached an extremely low level; and, in 1939, for the first time in history, the United States subsidized cotton exports.

From 1930 to 1940, the synthetic-fiber industry expanded rapidly in Italy, France, Germany, and the United Kingdom. At the beginning of World War II, many spinners who had heretofore spun only cotton were engaged in the production of yarn from synthetic fibers. The competition of foreign-grown cotton and the development of the synthetic-fiber industry were important factors in the decline of exports of American cotton to Europe prior to the last war. During the war, the textile industry of western Europe not only suffered war damage, but much of it was closed by government action. In most of the countries it was the policy of the government to divert, insofar as possible, textile workers and facilities to the prosecution of the war. As a result, thousands of workers were transferred from cotton mills to war plants.

At the end of the war, cotton was very scarce throughout Europe, and synthetic-fiber production in Germany, Italy, and France had practically stopped. As a result, the textile industry was almost at a standstill. This, however, was not true in the United Kingdom, where cotton stocks were sufficient to supply all of the mills that the Government would permit to operate.

The scarcity of cotton and synthetic fibers was not, however, the only difficulty facing the European cotton industry at the end of the war. The disorganization of the general economy of most of the countries was far greater than was first estimated. This disorganization was so widespread that it soon became apparent that the recovery of the cotton industry was dependant upon a number of factors, some of which were not directly connected with the industry.

There was a shortage of labor. Many people whose lives had been completely disorganized, or who had been diverted from the textile industry to other fields of work, were slow to return to the cotton mills. Production of coal for fuel, power, and transport was at a low level. Transportation was also disorganized by shortage of manpower and physical destruction of bridges, highways, railroads, and rolling stock.

There was also the problem of food. Europe had been on exceedingly short rations, especially during the latter part of the war. Millions of men and workers, returned from the army or released by war industry, did not at once take up gainful occupation. They consumed without producing.

Since the close of the war, there has been gradual improvement. The manpower situation is improving; coal is being mined, railroads and highways repaired; and progress is being made in increasing the food supply. The cotton-textile industry has shared in this improvement. In most of the countries, consumption of cotton has not reached prewar levels, but in Belgium and Italy it has exceeded that of prewar.

While the problem of increasing the labor supply, improving the fuel and power situation, and organizing the transportation has been one for local consideration, the financing of a supply of cotton has been largely through loans and credits from outside Europe. At the end of the war, exports of all commodities from Europe were almost nil, and exchange was very short. Credits were made available by the United States from both the direct purchase of cotton and for general rehabilitation purposes. As a result of these credits, exports of American cotton increased, and the cotton-textile industry of European countries has been able to reach its present level of production.

Another factor in this recovery has been the ability of certain countries to export a large part of their textile output, either in the form of yarn or as finished goods. This has been particularly true of the United Kingdom, France, Italy, and the Netherlands. These countries have followed a definite policy of exporting a high percentage of their production of textiles, although the local demand could have consumed practically everything which was produced. They did this because it was realized that, without exports, they would be unable to obtain the exchange which was so necessary to pay for certain imports other than cotton. Although the exports of yarns and goods in relation to the amount of cotton consumed have been high; since cotton consumption in most countries has not reached prewar levels, the volume of exports is not as large as in the prewar years.

In practically every country of Europe, the domestic sale and prices of cotton textiles are controlled by the government. There is, however, a rather well organized black market in some countries at which locally made textiles may be purchased, but at prices considerably above the official levels. This condition, while not justified, is in some countries excused or tolerated because of the urgent demand for textiles. It is recognized, however, as a factor in reducing the volume of exports and, thus, in reducing the available foreign exchange.

In the occupied countries, a system of exchanging cotton for finished goods has been developed. Because the nationals of occupied countries are not permitted a free hand to conduct the trade with the outside world, the export of the finished goods is supervised by the Allied Powers, and the dollar exchange so obtained is applied toward payment for the cotton supplied.

The situation with respect to cotton consumption, and the market for United States cotton in the United Kingdom, France, Italy, Switzerland, Belgium, the Netherlands, Austria, and western Germany are discussed in the pages which follow.

United Kingdom

The United Kingdom is the most important cotton-spinning country of Europe. Before the war, consumption averaged approximately 2,700,000 bales. The 1947-48 consumption is estimated at 1,900,000 bales. For years, the United Kingdom had been a leading market for American cotton. The textile industry has been largely built on American cotton.

Prior to World War I, the United Kingdom was a leading exporter of yarns and textiles (table 2). British textiles, made largely from American-grown cotton, were sold throughout the world. In the years between World Wars I and II, British supremacy in this field was challenged by Japan. As a result of this and industrialization of customer countries, British consumption was drastically curtailed. Britain, however, continued to be a relatively good market for American cotton.

For many years, even before World War I, British officials and leaders of the textile industry believed that the industry should not depend upon a single source--namely, the United States--for a supply of so important a material as cotton. An effort was made to promote the production of cotton in British colonial areas of Africa and elsewhere. While these efforts have not been wholly successful, the principle of producing cotton within the Empire seems to have become ingrained in the political and economic policy of the country. Efforts to expand and develop the production of cotton throughout the British Territories in Africa are now being redoubled. Based on experience gained during the last 40 years, this effort appears to have more promise of success in the future than at any time in the past. If it is successful, possibly the British need for cotton from sources outside the Empire will be materially reduced.

One of the greatest combinations of business organizations for the production of synthetic fibers in the world is centered in the United Kingdom. Before and during the war, production of rayon and other synthetics was an important part of British industry. Since the war, apparently the intention is to expand the production and the export of rayon yarn and textiles. Without fixing the extent of such an expansion, the program would appear to be feasible and further increases in rayons and other synthetics may be expected.

The cotton-textile industry will continue to play an important role in the economy of the United Kingdom, but there is some question as to the extent to which American cotton will be used by the British textile industry in the years ahead.

Since the war, the limiting factor in the purchase of American cotton has been the shortage of dollar exchange. During the war, most of the American cotton supplied to Britain was under terms of a lend-lease agreement. The purchases since the war have been paid for largely with borrowed dollars. Without these credits and loans, the United Kingdom would have imported but little American cotton. British spinners are thoroughly familiar with American cotton. They have used it for years and in many cases prefer it, but, because of the shortage of dollar exchange, the amount which has been made available to them has been limited.

In the United Kingdom, as in many countries throughout Europe, the use of foreign exchange and the purchase of foreign cotton are controlled by the Government. As long as exchange was a limiting factor, sales of American cotton to the United Kingdom were limited.

The improvement of the exchange situation is largely dependant upon expanding export markets. Textiles and yarn have always been important items in British exports. From 1929 to 1938, exports of finished textiles and yarn, in terms of raw cotton, averaged about 1,240,000 bales annually. During 1946 and 1947, these items, in raw-cotton equivalents, amounted to only about 282,000 bales per year (table 2). If and when textile exports reach or exceed the prewar level, the exchange situation should become more favorable.

France

During the war, the French cotton-textile industry was completely dominated by the Germans. While there was some war damage to the mills, it was not extensive. It is now estimated that of the 8,900,000 spindles in operation in 1939, some 7,500,000 were in operating condition at the end of the war. Of the discarded spindles, about 1,000,000 were totally destroyed and 400,000 damaged, most of which can be repaired and put into operation.

Before the war, the French were spinning about 1,300,000 bales of cotton annually, of which about one-half was American. Since August 1947, French cotton mills have been operating at the rate of about 95,000 bales per month, or a little more than 1,100,000 bales a year. The Government is trying to increase the output by increasing the work week. Before the war, about 75 percent of the mills operated 40 hours a week. At present, about 80 percent are operating on a 48-hour week, and about 20 percent on a double shift, or 96 hours a week. This has done a great deal to offset the effect of the war damage to mills and to bring cotton consumption to the present high level.

The textile-labor situation in France is improving. Many of the laborers who were transported to Germany during the war have been returned and are now back at their old jobs. The fact that during the war thousands of young people who normally would have entered the mills as trainees did not do so may have repercussions in the future; but, at present, there is no serious labor shortage in the textile industry.

The fuel situation is still serious. Conditions in the coal fields have improved, but there is still much disorganization. Wages paid to miners are relatively low, and absenteeism is a problem. The shortage of miners, lack of transportation, and the low level of imports must be overcome before the coal supply can be restored to normal.

For several months, cotton consumption has exceeded imports, and, unless imports are increased in the near future, a number of mills will be forced to close. Some quantities of Egyptian and Indian cotton are being purchased and paid for in cash, and United States cotton is being supplied on credit or aid programs. Some cotton is also being obtained from the colonies in Africa. The textile industry expects to obtain cotton through the operations of the Economic Cooperation Administration.

When the war ended, the French were able to get a small amount of cotton to start their mills. They were also able to export a considerable part of their textile production; but, now that textile production in other countries has increased, exporters are finding it more and more difficult to sell in foreign markets. To improve this situation, the French franc was recently devaluated.

Before the war, the French textile industry enjoyed a fair export market. During 1929 to 1938, the equivalent of about 190,000 bales of cotton was exported as finished textiles and yarn, annually. In 1946, textile exports were only about 54,000 bale equivalents, and, in 1947, they declined to 26,000 bale equivalents (Table 2).

Because of the shortage of dollar exchange, a number of French spinners who normally use American cotton have turned to Egyptian. They are spinning a finer yarn which sells for a higher price and, when sold in a foreign market, brings more exchange. The price of textiles is controlled, and spinners claim that the margin between costs and the controlled price is not enough to pay the cost of operation. The margins on finer counts of yarn, however, are better than on the lower or coarser counts. This favors the use of the better cotton.

It appears that the principal obstacle in the way of selling American cotton in France has been the shortage of dollar exchange. If more dollars had been available to the French, they would have bought more United States cotton, but, in that event, price would have been a factor. Spinners claim that under normal conditions they would not pay more than from one hundred to two hundred points premium for United States-grown cotton over American Upland grown in other countries. They are acquainted with foreign cotton--they used it before the war, and they know its relative value.

Because the French need cotton so badly and because they can only get credit in the United States, price has not been so important a factor. If, however, United States credit is cut off or becomes unnecessary, price will become more important.

Italy

As soon as possible after the war, credits were arranged, and American cotton was delivered to Italy. The result was that Italian mill consumption increased steadily and, in December 1947, was estimated at 850,000 bales per year. This is some 180,000 bales in excess of the 1938-39 consumption. Because Italy was one of the first countries of Europe to start textile production after the war, it was relatively easy for them to export textiles. The exports of textiles and yarn during 1946 were equivalent to about 72,000 bales of cotton and, in 1947, increased to about 109,000 bales. Prewar, 1929-38, Italy exported an average of 262,000 bale equivalents.

Before the war, Italy had a large export business in the Near East and South American countries. At the end of the war, the demand in these markets stimulated Italian exporters to make hurried contacts. But, as the textile exporters in other countries of Europe entered the field, Italian exporters met with more and more competition; and, today, they are experiencing some difficulty in selling textiles and yarn. It is likely that mill consumption will decline if export levels cannot be maintained.

The labor situation in Italy is not one of shortage--in fact, there is some unemployment in the textile industry. Numbers of workers have left the country and gone into Swiss mills. Wages in Italy are relatively low, and living costs are high. The general price level of all commodities is increasing, which may lead to increased wages. If wages are increased, the cost of producing textiles will increase and will add to the problem of exporting.

Italian spinners have always favored American cotton for certain purposes, although they have also used large amounts of other cotton. Since the end of the war, the exchange situation has been one of the principal reasons for using other cotton. Not only has the dollar exchange been short, but the rate of exchange for Italian lire has been more favorable for pounds than for dollars. Until recently, the Italian spinner could buy more Egyptian cotton than American with the same amount of lire.

The Government allowed small amounts of dollar exchange for the purchase of American cotton. The various aid and credit programs of the United States Government have made most of the dollar exchange available. Without these programs, it is extremely doubtful whether Italy would have been able to purchase very much American cotton.

The opportunity to sell American cotton to Italy will be largely determined by the amount of dollar exchange available. If dollar exchange is not available, little American cotton will be purchased. If, on the other hand, dollar exchange is available as a result of loans or aid programs, as planned, there will be an opportunity to sell American cotton. Without available dollar exchange, Italian spinners would be forced to depend upon other growths, or develop the synthetic-fiber industry to its prewar level.

Switzerland

The Swiss cotton-textile industry was not damaged materially during the war. It is booming today. Consumption is at the rate of approximately 125,000 bales per year. During the war, it was almost impossible to get cotton. Since the war ended, however, spinners have been able to get cotton, and consumption has been maintained at a high level. Exports of textiles are far below the prewar level. During 1946 and 1947, the Swiss exports of cotton yarns and piece goods, in terms of bales of cotton, averaged only 9,500 bales as compared with an average of 35,500 bales during 1929-38 (table 2). However, it is not necessary to export textiles in order to pay for cotton imports.

There is no problem of dollar exchange. The Swiss are able to buy cotton and pay for it without assistance from other countries. During the war, the Swiss profited considerably from the tourist trade of American soldiers; and millions of dollars worth of incidental items of interest to tourists were purchased and paid for in dollars. The transportation system was undamaged and is in good condition.

The Swiss have always used high-grade, better staple cotton. Before the war, a considerable part of the total consumption was Egyptian. Since the war and especially in 1947, the price of Egyptian cotton was more favorable than the price of American, and imports of American cotton declined. The price relationship is more important in Switzerland than in countries where spinners depend upon borrowed money or credits for their dollar exchange. The Swiss, so far, have had ample foreign exchange, and they buy on the basis of relative prices. They will, no doubt, continue to draw their supplies from sources whose prices are favorable. As long as this situation remains, price will be the dominating factor in the sale of cotton to Switzerland.

Belgium

Belgium was one of the first countries to recover after the war. The foreign trade and internal economy of Belgium are near normal. In some respects they exceed the prewar level. There are a number of reasons why this country was able to recover so soon after liberation. Belgium capitulated and was occupied by the Germans early in the war. Its economy was not disturbed to the same extent as that in France or Holland. The towns were not destroyed to the extent that they were in other parts of Europe.

The Belgians have regained their prewar textile export position. From 1929 to 1938 they exported an annual average of 112,000 bale equivalents in the form of textiles and yarn. In 1947, textile and yarn exports were equal to about 119,000 bales of cotton (table 2). This provided considerable exchange.

Another factor in the recovery of Belgium was a rather substantial supply of gold. Gold is mined in the Congo, and this has been used to an advantage. However, the problem of exchange so common throughout Europe is becoming increasingly important in Belgium. Importers get some dollar exchange, but not all they want. Belgium is not buying American cotton as readily as might be expected. To a considerable extent, this is due to price. Spinners object to the price of American cotton, which is considerably higher than some other growths, and to certain trade practices of some American shippers. It is reported that irrigated and Mexican cotton have been shipped as rain-grown and American cotton. Some Belgian spinners have turned to Indian and Brazilian cotton with results which they consider favorable.

In the latter part of 1947, some foreign cotton was selling in Belgium at about 300 to 350 points under American. Belgium has a trade agreement with Brazil and, under this agreement, the trade balance of the country is settled monthly. There is considerable pressure on each country to buy the quantity and quality of materials necessary to balance each month. This has favored the importation of Brazilian cotton.

It is estimated that annual consumption at the present rate is in the neighborhood of 450,000 bales, practically 100,000 bales above the 1938-39 figure. If consumption remains at this level, possibly imports of American cotton during 1948 will exceed 100,000 bales, provided, of course, that the price in relation to that of cotton from other countries is not unfavorable.

The Netherlands

The prewar consumption of cotton in the Netherlands was about 250,000 bales annually. Normally, about 40 percent of this was American. Since liberation, the textile industry has made fair recovery, and consumption is now somewhat in excess of 200,000 bales. At present, the supply of cotton on hand is extremely short. Imports during 1947 were largely from Brazil, although early in the year considerable American cotton was brought in.

The sale of American cotton to the Netherlands has been almost entirely dependant upon price and available exchange. The country always had a large export trade including cotton goods (table 2); but, since the war, the problems in the colonial areas and the domestic demand for goods have resulted in a low level of their total exports. An increase in exports would, of course, result in increased foreign exchange, which is necessary for the purchase of all raw materials, including cotton.

Practically the entire domestic economy and the export trade of the country had to be reconstructed after the war. Loans for this purpose were made by the United States, and a part of this credit was used to finance the imports of American cotton.

The price of cotton is very important to Dutch spinners. They insist that American cotton shall be priced within two or three cents per pound of foreign cotton of like quality. When the price ratio is out of line, considerable quantities of other cotton and less of American is imported.

Most of the textiles being exported are going to countries where bilateral trade agreements exist. These agreements, in the main, provide for direct trade between countries and are looked upon locally as being the best solution to the export problem. Spinners, therefore, obtain some of their cotton from countries which are willing to trade on a direct basis.

Because exchange is so important, the Government controls and allocates it to various trade associations that import commodities. The allocated dollar exchange has not been large enough to supply all of the American cotton which the industry could use. It has, therefore, been necessary to buy cotton from sources other than American in order to supplement the requirements of spinners.

If the Dutch were able to restore the prewar status of their colonial possessions, the dollar-exchange situation should improve. This does not mean, however, that they would buy more American cotton. Because they need all kinds of goods, both industrial and agricultural, except as the situation may be eased by American aid, they may be forced to spend their available dollars for such items as can be secured only in the United States and buy their cotton from areas where dollars are not required in payment.

Austria

The present level of cotton consumption is far below that of prewar years. Consumption is now estimated at 50,000 to 60,000 bales annually, whereas in 1938-39 it was about 170,000 to 180,000 bales. The exchange situation has been so precarious that spinners did not buy much cotton. The only way they have been able to operate has been through barter agreements with merchants in Switzerland and France, whereby cotton, largely Brazilian, has been supplied and a fixed amount of finished textiles has been returned to the merchants. Because the merchants have been unable to sell all the textiles returned in dollar markets, they have been buying large lots of Brazilian cotton. It is reported that the Government does not believe that it could repay a cotton loan if repayment were required in dollars.

There is some labor shortage, but the main problem is one of cotton. If the cotton were available, the spinners would undertake a program of training workers, and the shortage soon would be overcome. Many textile workers are paid a part of their wages in cotton goods. This enables them to exchange cloth for food or other items which they need and could not get otherwise. This has been an incentive to many workers, but there is still a shortage of trained workers in the textile mills.

The textile industry has not been nationalized; but, since most of the mills are owned or controlled by the banks, and the banks have been nationalized, it may be said that the industry is largely in the hands of the Government.

The consumption of cotton in Austria has been largely dependent upon the barter or processing agreements. Since the goods returned in payment are largely sold for "soft money," the suppliers have bought cotton where "soft money" could be used. The prices paid for the cotton used in the processing or barter transactions were not necessarily important. In most cases, price served only to balance the imports of cotton and the exports of textiles. It may have been changed from time to time by changing the percentage of finished goods to be returned as payment for the cotton.

If dollars are made available through United States aid programs, Austria will buy American cotton. Processing contracts may continue also.

Western Germany

The economic future of the British, American, and French zones of Germany is dependent upon the policy of the occupying forces. In the 1920's Germany was a large consumer of American cotton. Imports often exceeded 1,000,000 bales a year. However, during the period when the country was under Nazi control, imports of American cotton reached a low level, and the consumption of synthetic fibers increased correspondingly. At the beginning of the war, Germany was one of the largest producers of synthetic fibers in the world.

Most of the textile mills of Germany are located in western Germany, although there are some in the Russian zone. At the time of the surrender, there was practically no cotton, and little synthetic fiber, in the country. The only textile activity was in a few mills using synthetic fibers. The synthetic-fiber plants, however, were either shut down or had been destroyed. As soon as possible, cotton was supplied by the Military Government, and a few mills were put into operation.

Since the surrender, a plan has been worked out by which cotton is furnished to spinners on a kind of a processing-contract basis. Most of the cotton used under this plan has been American. At the present time, consumption in western Germany is in excess of 250,000 bales. The importation of cotton and the exportation of textiles is controlled by the occupying forces; but, under the agreement, a certain amount of contact between German importers and American

experts is permitted. While this arrangement is not entirely satisfactory, it is considered necessary, and may be expected to continue so long as military occupation is maintained.

The local demand for textiles is perhaps the greatest in any country in Europe, but a part of the output must be exported in order to pay for the cotton supplied. The remainder is consumed in the country. While it has not been large, it has provided the people with at least a part of the textiles which are needed.

The recovery of the cotton-textile industry is dependent upon many factors and conditions over which the industry has no control. Without a general improvement in the food situation, transportation, coal mining, and related industries, there cannot be much improvement in the textile industry. As long as the country is occupied, the policy of the occupying forces will be the important factor in the economy of the country.

Conclusions

The United States supplied an average of 5.3 million bales of cotton annually to the eight western European countries during the first 10 years (1919-28) which followed World War I (table 1). As time passed, our exports to these countries declined. We exported an average of only 3.7 million bales to the same countries during the 10 years 1929-38 and an average of only 2.8 million bales during the latter half of this period (1934-38).

Between the two wars, cotton from Brazil, Argentina, India, and the African areas found an increasing market in Europe. Also, during the thirties, the synthetic-fiber industry expanded rapidly in Italy, France, Germany, and the United Kingdom. Today, cotton acreages are expanding in competing countries, and the United Kingdom is bringing into production new Empire areas in Africa. Synthetic-fiber production in Europe may be expected to increase.

The cotton mills in western Europe, many of which were restored from the ruins of World War II, have been using largely American cotton, and in increasing quantities, since the shooting stopped. During the year ended July 31, 1947, the United States exported a total of 1.8 million bales to the United Kingdom, France, Italy, Switzerland, Belgium, the Netherlands, and the western zones of Austria and Germany, compared with an average of 2.8 million to the same countries, but including all of Austria and Germany, for the five prewar years 1934-38 (table 1).

The American cotton that has been shipped to Europe since the end of the war has been largely the result of Government programs. Before the close of the war, it was recognized that cotton would be greatly needed as soon as the war ended. Plans were made to supply it and to give other assistance in getting textile production under way. Some American cotton was supplied by the

occupying military forces; some was provided through the United Nations Relief and Rehabilitation Administration; but the export of the larger part of the cotton from the United States to western Europe since the war was made possible by credits and loans, either directly for the purchase of cotton or for general rehabilitation.

During the next few years, it is proposed that the United States Government shall supply materials and financial aid to certain countries of Europe, including the eight countries discussed in this paper. This effort, if successful, will restore a degree of security and result in more normal conditions throughout Europe. As a part of this program, it is estimated that some 2-1/2 million bales of American cotton will be supplied to the countries of western Europe, annually. As long as cotton is supplied under such a program, European countries probably will use all that is made available.

While a market may be maintained in Europe while assistance programs are in operation, American cotton faces increasing competition. After such programs end, the place of American cotton in the European market will be determined by such factors as the supply of foreign cotton, the degree to which the synthetic-fiber industry has been restored, the price at which American cotton is offered, and the capacity of the European countries to pay for imports in general and for imports from the United States in particular.

The European countries are likely to be again large importers of cotton from the United States without having to resort to assistance programs only if their overall levels of production are raised sufficiently (1) to eliminate abnormal import needs (such as those for coal and certain industrial products in which Europe used to be at least self-sufficient) and reduce inflated import needs for other goods and services; and (2) to enable these countries to increase their exports of manufactured goods and of services to a level that will permit them to pay for normal import needs. Since most of the markets for European industrial products are in the less developed countries, it appears reasonable to expect that these countries will receive preference as sources of raw-material supplies. This tendency will be particularly strong if exchange difficulties and bilateral trading arrangements should continue.

Tablo 1.--United States: Exports of cotton to specified European countries and total exports, average 1919-28, 1929-33, 1934-38; annual 1944-45, 1945-46, and 1946-47. Season beginning August 1

Country of destination	10-year avo. 1919-28	5-year average 1929-33	5-year average 1934-38	1944-45	1945-46	1946-47
	1,000 running balos	1,000 running balos	1,000 running balos	1,000 running balos	1,000 running balos	1,000 running balos
United Kingdom ...	2,012	1,285	1,049	643	287	469
France	770	752	553	439	768	380
Italy	629	646	407	0	500	442
Switzerland	9	2	2	9	26	19
Belgium	192	150	137	72	71	176
Austria	1/2	2/	2/3/	4/	0	4
Netherlands	130	130	79	21	46	112
Germany	1,507	1,613	547	0	6	198
Total	5,251	4,578	2,774	1,184	1,704	1,800
Total United States: exports	7,152	7,622	5,027	1,924	3,553	3,529
Exports to speci- fied countries	Percent	Percent	Percent	Percent	Percent	Percent
as percent of						
U.S. total	73	60	55	62	48	51

1/ 9-year average. Austria-Hungary in 1919; included with Germany May 6, 1938, to January 1, 1945.
2/ Less than 500 balos.

3/ 4-year average.
4/ 7 months only. Separated from Germany beginning January 1, 1945

Compiled from official records of the Department of Commerce

Table 2—Exports of cotton yarn and piece goods from specified European countries in terms of bales of cotton. Calendar years, average 1929-33, 1934-38; annual 1946 and 1947

Country	1929-33	1934-38	1946	1947
	1,000 bales:	1,000 bales:	1,000 bales:	1,000 bale:
United Kingdom.....	1,370	1,115	269	296
Belgium.....	114	110	57	119
France.....	204	179	54	26
Switzerland.....	38	33	6	13
Italy.....	303	221	72	109
Netherlands.....	93	80	14	43
Total.....	2,122	1,738	472	606

United States Department of Agriculture
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Compiled from official sources.



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OFFICE OF FOREIGN AGRICULTURAL RELATIONS
UNITED STATES DEPARTMENT OF AGRICULTURE
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Foreign Market Notes--Cotton ^{1/}

Ide P. Trotter Reports on the Cotton Situation in China

Dr. Ide P. Trotter is currently in the Orient, for the Office of Foreign Agricultural Relations, studying the cotton situation from the standpoint of its bearing upon the cotton interests of the United States. The following observations are taken from Dr. Trotter's preliminary reports from China.

China

Cotton production--Within cotton areas which could be visited (Shanghai, Nanking, Hankow, Wuchang, Peiping, Tientsin, and Tsingtao), progress is evident in the growing of more, and better, quality cotton. Seed stocks of improved varieties of American-Upland cotton have been imported. In tests, these have proved to be much superior to the native varieties, both in yield and quality. The Stoneville and Delfos varieties were brought in and tested by missionaries, agricultural college workers, and, more recently, by the National Agricultural Research Bureau.

Seed increase and distribution programs, using the one-variety community plan, are successfully promoted through the Cotton Improvement Bureau. The Bureau maintains some local workers, comparable to county extension agents, who also handle the distribution of such fertilizers, insecticides, and dusting equipment as have been furnished through China Aid programs. Dr. Trotter visited the offices of these local workers and observed their work with farmers. Their program is good. Given a few years of peace to perfect this program, their work would result in much improvement in the type of cotton planted in China. The Farmer's Bank cooperates by making a loan to a farmer who plants seed of the approved American varieties, Stoneville and Delfos.

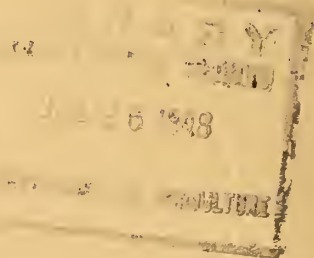
Cotton marketing--In order to improve the cotton market and supply cotton to the mills which the Chinese Government took over from the Japanese, a Cotton Control Board was established January 1, 1948. At major concentration points, one must sell cotton to the Cotton Control Board, or get a permit from the Board to sell it elsewhere. Thus far, this system of Government-buying has not had time to demonstrate fully its good and bad points. It is obviously a very large, complicated, and significant undertaking. The operations in the first six months have been very exploratory, and the results spotted. The Board's ability to assume a real, constructive place in marketing the 1948-49 crop will begin to give an idea of its possible future.

^{1/} Preliminary report of a study of foreign market outlets and competition with United States cotton conducted under the provisions of the Research and Marketing Act

A Government Cotton Adulteration Control Bureau has been in operation for some time. Its function is to inspect cotton at market centers to permit only that which meets the Government standards to pass. Before the war, this system is reported to have worked very successfully. Under the disturbed conditions since the war, the Bureau has not had a chance to become fully as effective as before.

Transportation is so disorganized that it constitutes the greatest marketing problem, and will for some time. For the past two years, at least, the Communists have extended their control over increasingly large parts of China. When they take over an area, transportation, communication, and trade are disrupted. In June 1948, authorities estimated that about 60 percent of China's cotton-producing country was in the hands of the Communists. This area also contained a higher proportion of the Stoneville and Delfos varieties. Thus far, little cotton seems to be moving out of these Communist-held areas to the cotton mills. Cotton concentrated in Nationalist-held cities, surrounded by Communist areas, is now being moved out only by air. This is expensive, and the planes available cannot move out any real quantity. Meantime, the area under Communist control continues to expand.

Cotton spinning--Present estimates indicate that there are between 3,600,000 and 3,800,000 operable cotton spindles in China. Practically all are under Nationalist Government control as of June 5, 1948. Mills claim to have cotton on hand for a minimum of one month's, or a maximum of two months', operation. Cotton in small volume is still moving from the interior and, with proper effort and an adequate price incentive, much more can be brought out. The Chinese can also purchase some cotton on the world markets. That, together with cotton shipments contemplated under existing aid programs, will not be quite enough to continue existing operations through October 1948. Reserve stocks will be low.





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FOREIGN MARKET NOTES--COTTON

P. K. Norris Reports on the Situation in Brazil¹

Sao Paulo

The State of Sao Paulo is the leading cotton-growing area of Latin America. Production in 1948 is estimated at about 700,000 bales as compared with 805,000 bales in 1947 and 1,424,000 bales as an average for the 5-year period, 1942-46.

Cotton production in Sao Paulo increased between 1930 and 1944 from 18,000 bales to 2,137,000 bales, but has declined during the past four seasons. It is freely predicted by some of the leading farmers and traders that production will not, for many years, reach the 1945 level of 1,073,000 bales. There are, however, grounds on which to question this assumption, as will later appear.

During the period when cotton production was increasing in Brazil, thousands of small farmers and "coffee hands" turned to cotton. Now, since coffee production is again a profitable enterprise, the coffee planters want their help to return. Many of these former "coffee hands" in the State of Sao Paulo now own small cotton farms, however, and will not return, while others are employed in the city of Sao Paulo and other cities and towns.

It seems evident that the Government will encourage coffee production as long as this crop continues to produce profits. Cotton, however, will remain in the picture, no matter what the Government policy may be.

Between 1930 and 1944, conditions in Sao Paulo were favorable for cotton yields, and cotton farming was profitable. Since 1944, both acreage and yields have declined. Several factors have contributed to this decline.

Soil erosion is, to a certain extent, responsible for the decline in yields. The soils of Sao Paulo are largely the red coffee soils (terra roxa) and the lighter sandy soils of the western areas. Many of these soils were in woods. The land was cleared, first planted to cotton, and later planted to coffee. When newly cleared, these soils were of top fertility. There has been some erosion, but this has not been as severe as was true a few years ago in some of the cotton areas of the United States.

Insect damage has been an important factor contributing to the decline in yields. Sao Paulo has a number of cotton insects including the pink bell worm, leaf worm, cotton stainer, root borer, and the leaf hopper, which cause considerable damage each season. During the early years of cotton development in the State, several of these insects were localized. With the passing of time, these insects became more and more State-wide in their distribution. By 1944, most of the insects ceased to be local. Experiment Station tests show good results in the

¹ Preliminary report of a study of foreign market outlets and competition with United States cotton conducted under the provisions of the Research and Marketing Act.

control of insects through the use of some of the new chemicals, such as DDT and BHC. Station practices have not been generally adopted in the field, however, and insect damage can be expected to be an important factor affecting yields in Sao Paulo for years to come.

Some attribute the declining yield to the deterioration of the seed stock, but there appears to be no basis for such a conclusion. Seed is grown and supplied by the State. Legally, no one can plant seed except of the approved variety.

Since 1944, unfavorable weather has affected cotton production. Rains and dry periods have occurred at the "wrong" time for cotton. During the period of three to four years just preceding 1944 when yields were good, station records show that the rains were more or less "just right" and that insect damage was light.

In summing up the situation with respect to the yields of cotton in Sao Paulo, it might be said that the high yields just prior to 1944 resulted from a combination of favorable factors. New land was being planted each year; insects were not so widespread; and State-produced seed was used almost exclusively. Since 1944, not much new land has been planted; fertilizer has been short; insect damage has increased greatly; there has been some planting of other than the State-produced seed; and the weather has been unfavorable.

The reduction in acreage has resulted, in part, from the discouraging effect of low yields. The price of cotton relative to other crops and, to a certain extent, the fact that the production of cotton is no longer being promoted by the Government also have been contributing factors.

A new development in Brazil, the use of power machinery, may have an influence upon the future production of cotton. Brazilian farmers have never used much power machinery or many animals in connection with the production of cotton. It is estimated that about one-half of the land which is planted to cotton is never plowed. Thousands of acres are planted and cultivated with a hoe. This is a hold-over from coffee production and one of the reasons that farming in Brazil always required a large supply of labor.

There is a movement to provide power tools for use in connection with the production of cotton. Some of the large cotton exporting firms, local banks, and others are buying tractors and other tools--plowing and clearing the land and cultivating the cotton on a fee basis. Higher yields of cotton are resulting from those operations, and this service is being enlarged.

Cotton-mill consumption.--About 45 percent of the cotton spindles of Brazil are in the States of Rio de Janeiro (including the Federal District) and Minas Geraes, 33 percent in Sao Paulo, and the remaining 22 percent are largely in the northeastern States.

Mills in the northeastern States use locally grown (northeastern) cotton only. Rio de Janeiro and Minas Geraes mills use both the long-staple northeastern and the shorter staple Sao Paulo cotton. Sao Paulo mills use some cotton from the northeastern States. Although longer stapled, the northeastern cotton is the cheaper for the Rio de Janeiro and Minas Geraes mills. This cotton is transported to the mills by water, while the Sao Paulo cotton comes in by rail. This cotton is not as uniform as the Sao Paulo cotton.



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WORLD COTTON TRADE RECEDES FROM POSTWAR PEAK

World cotton exports of 8.9 million bales (of 500 pounds gross weight) in the 1947-48 marketing year (August 1-July 31) were 7 percent less than the postwar peak of 9.3 million bales exported in 1946-47. Exports during the 5 prewar years ended July 31, 1939, averaged 13,354,000 bales.

The decrease of nearly 700,000 bales in 1947-48 (after deducting the 230,000 bales exported from Pakistan to India) is attributed mainly to a growing scarcity of foreign exchange and the existence of heavy stocks accumulated in the previous year in importing countries. Exports from the United States of 2.0 million bales were only about half of the 3.6 million bales exported in 1946-47. Egypt exported 1.6 million bales, Brazil 1.0 million, and India 0.9 million. In 1946-47 Egypt exported 1.5 million bales, Brazil 1.5 million, and India 0.7 million.

World export trade in 1948-49 may be expected to increase by at least 500,000 bales over 1947-48 if export programs planned are successfully carried out. This would consist of a 2-million-bale increase in the United States exports, offset in part by a decrease of 1.0 to 1.5 million bales from foreign countries where stocks are much smaller than they were a year ago.

Stocks are low in nearly all of the importing countries, while consumption is generally maintained at last year's level. Foreign exchange difficulties still exist in most of them but a slightly higher level of international trade in cotton may be maintained this year through the ECA program for western Europe, the China aid program, and the continued shipment of cotton to the occupied countries (Japan, Korea, and Germany) on a processing and compensation basis. Also, the barter arrangements entered into by Egypt, Brazil, India, Pakistan, and Argentina with various European countries, China, and Japan involving the exchange of cotton for cotton goods and other commodities should enable these countries (except Egypt) to dispose of the greater part of the smaller surpluses available for export this year. More cotton will be available from the United States this year than there was in 1946-47 because of the large 1948 crop.

The probable increase in world cotton export trade, however, is limited to some extent by the fact that exporting countries other than the United States, Egypt, India, and Brazil carried over relatively small old-crop stocks into the present year. Those in India and probably the Soviet Union were little above the minimum working stock level and could

COTTON: World exports by countries of origin

(In bales of 500 pounds gross weight)

Country	Year beginning August 1						
	1941	1942	1943	1944	1945	1946	1947 <u>a/</u>
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<u>bales</u>	<u>bales</u>	<u>bales</u>	<u>bales</u>	<u>bales</u>	<u>bales</u>	<u>bales</u>
North America:							
Mexico.....	25	26	31	125	263	204	326
United States.....	1,162	1,498	1,146	1,909	3,678	3,640	2,025
Others.....	23	22	31	13	29	7	24
Total.....	1,210	1,546	1,208	2,047	3,970	3,851	2,375
Asia:							
China.....	220	325	74	40	0	<u>b/</u>	0
India.....	841	134	277	317	850	683	900
Pakistan <u>c/</u>	-	-	-	-	-	-	<u>d/</u> 971
Iran.....	22	0	<u>b/</u>	<u>b/</u>	<u>b/</u>	9	2
Iraq <u>e/</u>	21	6	7	0	0	1	2
Turkey.....	50	50	36	34	<u>b/</u>	1	5
Others.....	80	99	112	75	45	14	37
Total.....	1,234	614	506	466	895	708	<u>d/</u> 1,917
South America:							
Argentina.....	<u>b/</u>	15	47	43	125	58	0
Brazil.....	856	452	533	461	1,462	1,517	1,036
Paraguay.....	23	26 <u>e/</u>	26 <u>e/</u>	30	40	50	31
Peru.....	217	141	153	156	425	366	280
Others.....	<u>b/</u>	<u>b/</u>	<u>b/</u>	0	0	0	0
Total.....	1,096	634	759	690	2,052	1,991	1,347
Africa:							
Anglo-Egyptian Sudan..	449	74	295	330	280	249	200
Angola <u>e/</u>	20	24	12	26	20	33	25
Belgian Congo <u>e/</u>	118	149	191	138	171	220	206
British East Africa <u>e/</u>	372	248	145	195	269	212	247
Egypt.....	1,107	384	794	804	862	1,467	1,567
French Equatorial							
Africa <u>e/</u>	78	77	42	77	88	109	93
French West Africa <u>e/</u>	18	18	<u>b/</u>	14	11	7	6
Mozambique <u>e/</u>	31	66	71	100	110	80	90
Nigeria <u>e/</u>	48	87	34	20	5	31	30
Others.....	4	5	8	12	8	5	5
Total.....	2,245	1,132	1,592	1,726	1,814	2,413	2,469
Other countries <u>f/</u>	11	4	1	0	401	350	750
World total.....	5,796	3,930	4,066	4,929	9,132	9,313	<u>a/</u> 8,858

a/ Preliminary. b/ Less than 500 bales. c/ Reported separately for the first time for 1947-48. d/ Includes about 230,000 bales of exports from Pakistan to India. In earlier years this movement was internal trade. To this extent Asia and world totals in 1947-48 are not comparable with earlier years. e/ Calendar years. f/ Mostly U.S.S.R.

Office of Foreign Agricultural Relations. Prepared or estimated from official statistics, reports of United States Foreign Service Officers, results of office research and other information.

not contribute much toward the surplus for export this year. Export surpluses in the medium and smaller exporting countries this year will depend almost entirely on what quantities are available from crops being picked in 1948-49.

This is one of a series of regularly scheduled reports on world agricultural trade approved by the Office of Foreign Agricultural Relations Committee on Foreign Crop and Livestock Statistics. For this report, the Committee was composed of Joseph A. Becker, Chairman, C. M. Purves, and Charles H. Barber.

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WASHINGTON, D. C.

FC 5-48

October 25, 1948

WORLD COTTON PRODUCTION NEAR PREWAR LEVEL

World cotton production in 1948-49 is forecast at 29,750,000 bales (of 500 pounds). This is 4,350,000 bales or 17 percent above last year's estimate and approximately equal to production in the late 1930's, with the exception of the unusually large crop of 39 million bales in 1937-38. World production will exceed world consumption this year for the first time since the war ended, with most of the increased production accounted for by the United States.

World production in the first 2 postwar years (1945-46 and 1946-47) amounted to only 77 percent and 79 percent, respectively, of the wartime average, 1940-41 to 1944-45, of 27,365,000 bales. Nearly all of this sharp decline in those 2 years took place in the United States, Brazil, and Argentina. In the next 2 years, 1947-48 and 1948-49, a sharp rise in United States production was accompanied by a more moderate increase in Egypt, the Soviet Union, China, Mexico, and a few of the smaller producing areas, bringing world production back to the prewar level in 1948-49.

The United States is the only major producing country to reach the prewar level of production in 1948-49 and this was largely the result of record yields. In most other countries, production ranges from about 70 percent of the prewar average in China to 91 percent in Egypt. The slow revival of foreign cotton production is attributed mainly to continuation of wartime restrictions on cotton planting in favor of food production programs in India, Egypt, and Peru, 3 successive years of unfavorable weather in Brazil, Argentina, and Paraguay, and lack of political and economic stability in China. A shortage of farm labor and a diversion to more profitable food crops were the principal causes for the exceptionally low acreage and production in the United States in 1945 and 1946.

Production in Mexico this year is estimated at 560,000 bales from 988,000 acres compared with 484,000 bales from 927,000 acres in 1947. Harvesting was nearly completed by the middle of September except in the Laguna district where about 40 percent of the estimated crop of 170,000 bales remained in the fields. This portion was damaged considerably by heavy rains and some flood early in September, followed by increased pink boll worm attacks.

The 1948 crop in the United States, estimated at 15,079,000 bales (October estimate) from 23,323,000 acres, is 27 percent and 10 percent, respectively, above the production and acreage estimates for 1947. Lint yield per acre computed at 310.3 pounds is the highest on record.

COTTON: Acreage and production in specified areas,
average 1935-39, annual 1945-48 a/

Continent and country	Acreage				Production b/					
	Year beginning August 1				Year beginning August 1					
	Average : 1935-39 :	1945 :	1946 :	1947 s/ :	1948 s/ :	Average : 1935-39 :	1945 :	1946 :	1947 s/ :	1948 s/ :
	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :	1,000 : acres :
NORTH AMERICA:										
El Salvador.....	9:	24:	38:	35:	25:	5:	11:	20:	21:	20
Guatemala.....	-	-	7:	7:	-	2:	3:	4:	5:	-
Mexico.....	725:	904:	843:	927:	988:	334:	434:	460:	484:	560
Nicaragua.....	9:	5:	1:	-	8:	5:	4:	1:	-	6
United States.....	27,788:	17,244:	17,615:	21,269:	23,323:	13,149:	9,015:	8,640:	11,857:	15,079
British West Indies.....	20:	12:	7:	7:	-	5:	3:	2:	2:	-
Haiti.....	-	40:	25:	40:	-	22:	11:	8:	11:	10
Puerto Rico.....	2:	-	-	-	-	1:	2:	d/	d/	d/
Total s/.....	28,642:	18,240:	18,541:	22,294:	24,402:	13,523:	9,483:	9,138:	12,384:	15,682
EUROPE:										
Bulgaria.....	85:	61:	98:	105:	-	35:	10:	20:	28:	-
Greece.....	168:	72:	118:	105:	107:	76:	31:	50:	53:	52
Italy.....	56:	34:	41:	45:	-	21:	9:	12:	15:	-
Rumania f/.....	8:	109:	104:	109:	-	2:	20:	9:	16:	-
Spain.....	46:	133:	142:	108:	135:	10:	8:	23:	14:	28
Yugoslavia.....	8:	-	-	-	-	3:	-	-	-	-
Total s/.....	372:	420:	518:	499:	550:	147:	80:	118:	136:	166
U.S.S.R. (Europe and Asia).....										
	5,087:	2,995:	3,215:	3,625:	3,850:	3,430:	1,700:	2,240:	2,600:	2,600
ASIA:										
Cyprus.....	11:	-	-	-	-	3:	2:	2:	-	-
Iran.....	453:	303:	182:	205:	287:	171:	92:	64:	80:	115
Iraq.....	53:	25:	25:	-	-	11:	5:	4:	-	-
Syria.....	85:	44:	49:	52:	-	28:	22:	22:	14:	-
Turkey.....	667:	572:	610:	502:	694:	249:	166:	204:	218:	235
Afghanistan.....	-	-	-	-	-	49:	30:	9:	-	-
Burma.....	428:	226:	135:	192:	217:	97:	32:	21:	35:	-
China (incl. Manchuria).....	7,038:	5,600:	5,556:	6,240:	6,100:	2,855:	1,820:	1,925:	2,136:	2,200
French Indochina.....	36:	-	-	-	-	6:	-	-	3:	-
Japan.....	2:	12:	-	-	-	1:	2:	-	4:	5
India.....	24,204:	10,933:	11,600:	11,800:	11,800:	5,348:	2,358:	2,341:	2,600:	2,500
Korea.....	564:	442:	312:	355:	282:	180:	103:	75:	64:	77
Netherlands Indies.....	27:	-	-	-	-	9:	-	1:	-	-
Pakistan.....	£/	2,818:	3,261:	3,122:	2,800:	£/	1,171:	1,144:	925:	1,050
Philippine Islands.....	5:	10:	5:	-	-	1:	2:	1:	d/	-
Siam.....	16:	-	-	-	-	7:	17:	26:	26:	25
Total s/.....	33,805:	21,231:	21,892:	22,658:	22,420:	9,020:	5,832:	5,846:	6,125:	6,295

SOUTH AMERICA:

Argentina.....	770:	813:	892:	1,037:	1,150:	289:	285:	334:	404:	459
Brazil.....	5,562:	5,000:	5,500:	4,600:	5,500:	1,956:	1,350:	1,300:	1,200:	1,400
Colombia.....	98:	-:	-:	-:	-:	23:	21:	21:	25:	29
Ecuador.....	40:	32:	358:	-:	-:	13:	7:	10:	10:	7
Paraguay.....	111:	124:	126:	74:b/	136:	40:	44:	55:	29:	56
Peru.....	428:	346:	309:	321:	-:	364:	329:	299:	301:	-
Venezuela.....	50:	-:	-:	-:	-:	11:	13:	11:	15:	-
Total e/.....	7,060:	6,512:	7,049:	6,254:	7,328:	2,716:	2,049:	2,070:	1,984:	2,281

AFRICA AND OCEANIA:

Anglo Egyptian Sudan.....	439:	321:	336:	363:	-:	248:	194:	235:	215:	-
Belgian Congo.....	874:	760:	740:	754:	-:	172:	181:	172:	184:	-
Kenya.....	-:	-:	-:	28:	-:	13:	4:	4:	4:	-
Nyasaland.....	84:	-:	-:	-:	-:	12:	8:	9:	17:	-
Tanganyika.....	-:	-:	-:	-:	-:	50:	34:	34:	34:	38
Uganda.....	1,477:	1,146:	1,253:	1,033:	-:	281:	191:	193:	138:	250
Egypt.....	1,821:	1,020:	1,258:	1,302:	1,496:	1,893:	1,082:	1,252:	1,314:	1,722
French Equatorial Africa.....	390:	-:	-:	-:	-:	41:	106:	74:	103:	-
French Morocco.....	1:	4:	-:	-:	-:	d/	2:	2:	-:	-
French West Africa.....	-:	-:	-:	-:	-:	28:	9:	9:	14:	-
Mozambique.....	-:	-:	-:	-:	-:	33:	99:	110:	99:	-
Nigeria.....	-:	-:	-:	-:	-:	36:	31:	28:	15:	-
Angola.....	73:	-:	-:	-:	-:	13:	20:	27:	24:	27
Southern Rhodesia.....	2:	4:	4:	4:	-:	d/	1:	1:	1:	1
Union of South Africa.....	-:	-:	-:	-:	-:	2:	d/	1:	2:	4
Australia.....	53:	7:	9:	7:	-:	11:	2:	2:	2:	-
Total e/.....	6,176:	5,234:	5,493:	5,214:	5,765:	2,840:	1,966:	2,156:	2,171:	2,726

World total e/.....	81,142:	54,632:	56,708:	60,544:	64,315:	31,676:	21,110:	21,525:	25,400:	29,750
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a/ United States production in bales of 500 pounds gross weight (480 pounds net); others in bales of 478 pounds net through 1945 and 480 pounds thereafter. b/ Years shown refer to years of harvest. c/ Preliminary. d/ Less than 500. e/ Includes estimates for minor-producing countries not listed above and allowances for other figures not available. f/ Figures for 1943 to date are not comparable with prewar figures because of boundary changes. g/ Included with India. h/ Planted area. i/ Exports.

Office of Foreign Agricultural Relations. Prepared or estimated on the basis of official statistics, reports of United States Foreign Service officers and results of office research.

The heaviest increases in production this year were in Mississippi, Arkansas, and Alabama. In Texas, which accounts for 21.6 percent of the total crop this year, production was down by 187,000 bales or 5.4 percent, due to reduced acreage and drought. Good percentage increases were reported in practically all other States, although the quantities involved are smaller than in the States mentioned above.

In Europe, production continued on a steady upward trend from a low wartime level of about 104,000 bales. The total reached about 166,000 bales in 1948 compared with 136,000 last year and a prewar average of 147,000 bales. Bulgaria, Greece, Rumania, and Spain accounted for practically all of the increase, while production in Italy amounted to only one-third of the 1940 peak of 45,000 bales. The scarcity of foreign exchange for importing cotton, the high postwar level of cotton prices, and the fact that the Balkan countries are not generally deficit in over-all food production are factors that probably encouraged expansion in cotton cultivation instead of food crops.

Reports from the U.S.S.R., derived mostly from statements in the Soviet press, indicate that cotton acreage was increased by 6 or 7 percent but yields were lower so that production may not have exceeded last year's crop of about 2,600,000 bales. Acreage is estimated tentatively at about 3,850,000 acres, compared with 3,625,000 in 1947.

The 1948 crop in Iran, estimated at 115,000 bales, is the highest since 1941 but considerably below the prewar average of 171,000 bales. Acreage was increased to 287,000 acres in 1948 compared with 205,000 a year ago. The increase was stimulated by Government support prices and credit facilities, the ban on cultivation of poppies, lifting of the ban (late in 1947) against cultivation of cotton in certain areas because of the prevalence of certain plant diseases and insects, and the partial relief of the former food shortage situation. Further increases may be expected next year as production has barely regained the level of domestic requirements.

Estimates of the 1948 crop in Turkey were recently reduced to about 235,000 bales because of heavy damage in the Adana district by corn ear worms. Acreage in 1948, estimated at 694,000 acres, represents an increase of 10 to 30 percent over the areas planted in the late war and postwar years and slightly above the prewar average. The 1948 crop is 40,000 to 50,000 bales above the level of domestic requirements.

Cotton production in Burma was encouraged by the Japanese during the early years of occupation, declined after the war to a low point of 21,000 bales in 1946 and rose to 35,000 bales in 1947 from 192,000 acres. The 1948 acreage, estimated at 217,000 acres,

indicates a further increase in production this year to around 40,000 bales compared with a prewar average of 97,000 bales.

Incomplete data on the crop in China indicate a probable small increase in production this year to about 2.2 million bales compared with last year's estimate of 2,136,000 bales. The area planted in 1948 is reported to be down by 2 or 3 percent from last year's estimate of 6,240,000 acres.

It is generally believed that Chinese farmers intended to increase cotton plantings in 1948 in view of the fact that prices of cotton had advanced more rapidly than those for rice and other grains. However, the increasing tempo of civil war in North China, Manchuria, and the northern part of Central China, together with excessive rainfall and floods in the Yangtze River Valley, made farming operations more difficult in 1947. Favorable weather conditions, in subsequent months, particularly in North China, and less damage from insects and plant diseases may have resulted in higher yields and a small increase in the over-all production.

Communications and transportation to and from the interior cotton areas are still very difficult because of disturbed political conditions. The quantity of domestic cotton from the 1948 crop, expected to arrive at coastal mill centers (the commercial crop), is expected to reach about 950,000 bales which is about equal to the 940,000 received last year.

The current crop in India is expected to be slightly smaller than the 2,600,000 bales harvested in 1947-48 unless weather conditions show some improvement over conditions in the early part of the season. The area planted is expected to be about equal to the 11,800,000 acres planted last year. Earlier in the season, acreage was expected to be increased by about 10 percent, mostly in Bombay Province where the greatest reduction occurred as a result of the food production program. Increases in some areas, however, were offset by decreases in others where the monsoon came late and was insufficient for normal crop development. Prices of food grains in Madras Province are relatively higher than those for cotton, thus discouraging any shift to cotton cultivation in that area.

The 1948 Pakistan crop is estimated at 1,050,000 bales after allowance for loss of around 120,000 bales as a result of recent flood damage. This estimate is still above the 1947 estimate of 925,000 bales. Acreage is reported to be about 10 percent below the 1947 estimate of 3,122,000 acres or roughly 2,800,000 acres.

The part of former India which now is Pakistan normally produces about 1,250,000 bales. Low yields in 1947 were attributed to large-scale abandonment as a result of the widespread rioting and migration that followed the partition of India in

August 1947. A large portion of the crop was picked, ginned, and marketed by refugees amid very unsettled conditions. These conditions have been largely overcome this year and weather conditions were favorable for improved yields on the smaller acreage. About 75 percent of Pakistan's cotton crop is grown under irrigation. At least one large source of water passes through India and is subject to being cut off as was done last year but negotiations between the two governments are expected to prevent it.

New irrigation projects already under construction and being planned are expected to permit a substantial increase in cotton acreage in the next few years.

Argentine cotton production was held at a low level for 3 consecutive years, 1944-45 to 1946-47, as a result of unfavorable weather. The 1947-48 crop of 404,000 bales from 1,037,000 acres represented an increase of 20 to 35 percent above the 3 previous crops. It also was retarded by unfavorable weather conditions early in the season, late planting, and a severe early frost that killed some immature plants.

The 1948-49 crop is now being planted and it is too early to forecast either acreage or production. An increase of at least 10 percent is expected in acreage, although planting is already retarded to some extent by drought. Locusts also are still a menace, having appeared in large numbers recently in several localities. Available land is plentiful but agricultural equipment and labor for settlement of new areas are scarce. The Government goal is to maintain cotton production at approximately 100,000 metric tons (460,000 bales) annually.

The 1948-49 cotton acreage in Brazil also being planted at this time is expected to be 15 or 20 percent above last year's estimate of around 4,600,000 acres. A proportionate increase in production would result in a crop of about 1,400,000 bales compared with the 1947-48 crop of 1,200,000 bales. A larger acreage is expected this year because of improved yields last year and enthusiasm for a new variety, Campinas 817 (derived from the Stoneville variety). Also new insect controls applied on a wide scale last year reduced losses to insects and are expected to offer better protection for the crop this year. The large United States crop is not expected to have a very depressing effect on cotton prices in Brazil because old-crop stocks are reduced almost to a normal level.

In Peru no significant change is anticipated this year from the 1947-48 estimates of 301,000 bales from 321,000 acres. The wartime restrictions on cotton acreage have been lifted but food commodities are still scarce and prices are high in relation to those for cotton. Government requirements for planting specified percentages of all cultivated land to food crops, however, are still in effect in most coastal areas and food crops continue to occupy about 50,000 acres

formerly planted to cotton. Further discouragements for any increase in cotton production are foreign exchange controls and a number of export taxes, one of which amounts to 50 percent of the difference between the contract price for cotton sold for export and the cost of production. This cost was established by the Government for tax purposes at 145 soles per Spanish quintal (22.05 cents a pound) for Tanguis and 170 soles (25.85 cents) for Pima.

Production in Egypt in 1948 is estimated at 1,722,000 bales from 1,496,000 acres compared with 1,314,000 bales from 1,302,000 acres a year ago. Production has increased steadily from a low level of 740,000 bales in 1943, the third year of wartime acreage restrictions. These controls have not yet been lifted because of a continuing need for greater food production but they have been lightened each year. The 1948 crop represents 91 percent of the prewar average. Egyptian farmers object to the diversion of cotton land to food crops because they feel that it is uneconomical to grow them in Egypt.

In Uganda, an increase to 250,000 bales from last year's abnormally low crop of 138,000 is expected. This forecast is still somewhat below the prewar average of 281,000 bales. Drought and late planting were the principal causes for low production in 1947-48.

No significant changes are expected in 1948-49 in acreage or production in other parts of Africa.

This is one of a series of regularly scheduled reports on world agricultural production approved by the Office of Foreign Agricultural Relations Committee on Foreign Crop and Livestock Statistics. For this report, the Committee was composed of Joseph A. Becker, Chairman, C. M. Purves, Charles H. Barber, and Constance H. Farnworth.

1. The first part of the report deals with the general situation of the country and the progress of the work during the year. It is a summary of the work done by the various departments and a statement of the results achieved.

2. The second part of the report deals with the financial statement of the year. It shows the income and expenditure of the various departments and the balance of the accounts at the end of the year.

3. The third part of the report deals with the progress of the work during the year. It is a summary of the work done by the various departments and a statement of the results achieved.

4. The fourth part of the report deals with the progress of the work during the year. It is a summary of the work done by the various departments and a statement of the results achieved.

5. The fifth part of the report deals with the progress of the work during the year. It is a summary of the work done by the various departments and a statement of the results achieved.

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November 15, 1948

WORLD COTTON STOCKS ONLY TWO-THIRDS OF PREWAR LEVEL

World cotton stocks on hand July 31, 1948, are estimated at 14 million bales (of 500 pounds gross, except running bales in the U. S.) compared with 17.5 million a year ago, 24.65 million 2 years ago, and 23.75 million in 1939. The all-time peak of 28.5 million bales was reached at the end of the war in 1945. The United States, Egypt, and Brazil are the only major-producing countries that had any significant stocks of old-crop cotton on hand at the beginning of the current crop year. Stocks in other producing countries at the beginning of the new season were generally adequate for the domestic mill industries for 3 to 6 months, with very little cotton available for export until the new crops began to arrive on the market in August and September, December, and later in the Southern Hemisphere.

Stocks in the surplus-producing countries as a whole were about 20 percent below those of a year ago. The substantial decrease in most foreign countries more than offsets the 22-percent increase in United States stocks.

In the countries that produce insufficient quantities for home use (China, Korea, southern Europe and parts of South America) or none at all (mostly in Europe) stocks were also down by about 20 percent. Despite this decline, however, stocks were still generally sufficient for 3 to 8 months' requirements. These stocks in most cases barely exceed minimum working stock requirements and probably will be maintained at or above this level in 1948-49 through importations roughly equivalent to the quantities to be consumed in 1948-49.

The crop year, 1947-48, appears to mark the end of a 10-year period of excessive world cotton surpluses that began with the record 1937-38 world crop of 39 million bales. Stocks accumulated rapidly in most of the producing countries, especially in the United States, Egypt, and Brazil during the next 8 years while world production remained above world consumption, and export trade was restricted (1939 to 1945) by war and blockade. During the first 3 postwar years, world consumption exceeded production by 2.5 to 3.5 million bales annually, resulting in rapid liquidation of surplus stocks.

The 1948-49 world production, estimated at 29,750,000 bales, is more than one million bales larger than estimated requirements for world consumption this year and stocks may be expected to rise by this amount. Stocks in the United States are expected to increase by 2 to 3 million bales by the end of this crop year as a result of the unusually large crop

Cotton: Estimated world stocks by principal countries,
July 31, 1948, with comparisons a/
(In bales of 500 pounds gross)

Country	Stocks on hand July 31			
	1939	1946	1947	1948
	1,000	1,000	1,000	1,000
	<u>bales</u>	<u>bales</u>	<u>bales</u>	<u>bales</u>
<u>Surplus countries:</u>				
Mexico.....	150	321	279	100
United States b/.....	13,033	7,326	2,530	3,082
Haiti.....	5	2	8	3
Iran.....	40	60	24	17
India c/.....	2,165	3,540	3,000	1,760
Pakistan.....	-	-	250	78
Turkey.....	70	61	50	70
Argentina.....	243	474	405	439
Brazil.....	661	3,038	1,900	1,200
Paraguay.....	11	14	12	4
Peru.....	200	285	163	126
Anglo-Egyptian Sudan.....	107	79	65	60
Belgian Congo.....	150	195	137	87
British East Africa.....	75	130	150	113
Egypt.....	325	1,787	1,354	878
French Equatorial Africa..	15	65	30	24
Others d/.....	1,050	763	643	734
Total surplus countries..	18,400	18,140	11,000	8,775
<u>Deficit countries:</u>				
Canada.....	56	88	110	82
Cuba.....	10	11	21	9
Belgium.....	150	140	150	147
Czechoslovakia.....	100	34	105	58
France.....	700	920	586	292
Italy.....	250	278	556	340
Netherlands.....	80	92	120	110
Spain.....	50	68	86	122
Sweden.....	60	110	78	79
Switzerland.....	100	103	99	91
United Kingdom.....	1,045	1,990	2,023	1,357
China, incl. Manchuria c/ :	900	1,285	1,230	1,165
Japan.....	556	159	181	236
Korea.....	43	55	40	50
Colombia.....	5	42	60	72
Australia.....	20	61	75	94
Others e/.....	775	374	480	521
Total deficit countries..	4,800	5,810	6,000	4,825
Aflocat f/.....	550	700	500	400
World total.....	23,750	24,650	17,500	14,000

a/ Estimates for Southern Hemisphere countries include unginned cotton on hand at the end of July. b/ Running bales. c/ Includes estimates for non-commercial stocks. d/ Mostly U.S.S.R. and Mozambique. e/ Mostly countries in Europe and South America not listed above. f/ Approximately half of world exports in July.

of 15,166,000 bales, while stocks in foreign producing countries may be further decreased by 1 to 2 million bales as no large increases in production were reported this year.

Stocks in the United States rose by 22 percent from 2,530,000 bales on August 1, 1947, to 3,082,000 in 1948. Those in Mexico continued on a downward trend from 279,000 bales on August 1, 1947, to 100,000 in 1948.

In Brazil a continued decrease from 3,038,000 bales on August 1 (midseason in Southern Hemisphere) in 1946 to 1,900,000 in 1947 and to 1,200,000 in 1948 is calculated from available data. Stocks in Argentina are reported to have increased slightly from 405,000 in 1947 to 439,000 a year later. In Peru a 4-year downward trend in stocks was reported from 410,000 bales on August 1, 1945, to 285,000 in 1946, to 163,000 in 1947 and to 126,000 in 1948.

Stocks in India also declined steadily since the end of the war, amounting to about 3,000,000 bales on August 1, 1947, and 1,760,000 a year later. The 1948 stocks are sufficient for about 7 months' domestic mill requirements. Stocks of 878,000 bales in Egypt on August 1, 1948, were little more than half of the 1,354,000 reported a year ago and represented a decrease of more than 50 percent from the 1945 figure of 1,827,000 bales. In other parts of Africa stocks declined steadily since the end of the war and in nearly all locations the stocks consisted only of new-crop cotton either in ports awaiting early shipment or in process of being ginned.

Stocks in Canada, estimated at 82,000 bales in 1948, are considerably less than the 110,000 bales reported a year earlier and are sufficient for only 3 months' requirements. In Belgium, stocks remained at about 150,000 bales, representing a little more than 4 months' requirements. In France, stocks declined sharply from 920,000 bales on August 1, 1946, to 586,000 in 1947 and to 292,000 in 1948, representing less than 4 months' requirements at the current rate. Stocks in Italy, estimated at 340,000 bales on August 1, 1948, are 39 percent below the 556,000 reported a year ago and are sufficient for less than 5 months' requirements. Stocks of 1,357,000 bales in the United Kingdom on August 1, 1948, were down by 33 percent from the 2,023,000 bales reported a year ago and represented about 8 months' requirements.

Stocks in China, estimated at 1,165,000 bales, are slightly lower than the estimate of 1,230,000 bales a year ago. Commercial stocks, estimated at 865,000 bales in 1948, were equal to about 6 months' mill requirements at last year's consumption rate but mill activity may be reduced this year due to spreading military operations. Stocks in Japan, estimated at 236,000 bales on

August 1, 1948, are slightly higher than the 181,000 bales reported a year ago and the 159,000 reported in 1946, but still represent little more than 4 months' requirements at last year's level of around 600,000 bales.

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